

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK

UNITED STATES OF AMERICA,) 23-CR-433
)
Plaintiff,) Brooklyn, NY
) November 13, 2023
vs.) 1:00 PM
)
BRADEN JOHN KARONY, aka JOHN)
KARONY, et al.,)
)
Defendant.

TRANSCRIPT OF BAIL HEARING
BEFORE THE HONORABLE ERIC KOMITEE
UNITED STATES DISTRICT JUDGE

APPEARANCES (All present by video or telephone):

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1 MR. GALEOTTI: Mr. Jackson, I believe there may be a
2 number of individuals that are not party to the case that have
3 joined the call.

4 THE CLERK: Okay. So all non-parties to this action,
5 please mute your phones. All non-parties to the action, please
6 mute their phones, and do not leave your cell phones near the
7 telephone. We get background echo sounds. Thank you.

8 THE COURT: Hi, Mr. Jackson. I'm on.

9 THE CLERK: Okay. Before asking the parties to state
10 their appearances, I would like to note the following. Persons
11 granted remote access to proceedings are reminded of the
12 general prohibition against photographing, recording, and
13 rebroadcasting of court proceedings. Violation of these
14 prohibitions may result in sanctions, including the removal of
15 court-issued media credentials, restricted entry to future
16 hearings, denial of entry to future hearings, or any other
17 sanctions deemed necessary by the Court.

18 Criminal courts, status conference, docket number 23-
19 CR-433, USA v. Karony.

20 Counsel, please state your appearances for the record,
21 beginning with the Government counsel.

22 MR. MATTHEW GALEOTTI: Good afternoon, Your Honor.
23 For the Government, Assistant United States Attorney Matthew
24 Galeotti.

25 MR. ADAM SCHUMAN: For Mr. Karony, Adam Schuman from



1 Petrillo, Klein, and Boxer. Good afternoon. I'm joined from
2 my office by Caelyn Stephens, and in Utah, Clayton Simms, who
3 has represented Mr. Karony in the proceedings in Utah and is
4 with Mr. Karony now telephonically in Utah.

5 THE CLERK: All right.

6 THE COURT: Good afternoon, everybody. Thank you for
7 being with us by phone. I know this case was with Judge DeArcy
8 Hall in her capacity as the miscellaneous judge last week, but
9 it is back with me. And I'm assigned for all purposes as you
10 may know.

11 We are here for argument on the Government's motion to
12 detain the defendant pending trial without bail. So why don't
13 we hear from the Government first, please.

14 MR. GALEOTTI: Thank you, Your Honor. I'd first note
15 that while there are a number of inaccuracies, both
16 procedurally and substantively, that occurred at the hearing in
17 Utah and then in the defendant's filing last night, what I'd
18 like to do first is address in substance the basis for the
19 Government's appeal. And then only if there are questions from
20 the Court or if it impacts the decision to correct some of
21 those procedural inaccuracies that have been put forth.

22 So let me start, Your Honor, by saying the Government
23 makes this motion pursuant to 18 United States Codes, Section
24 3142(f)(2) because this case, Mr. Karony in particular, it
25 involves a serious risk that he will flee under subsection (a).



1 And then, in addition, under subsection (b), there is a serious
2 risk that Mr. Karony will obstruct or attempt to obstruct
3 justice or threaten or attempt to threaten or injure or
4 intimidate perspective witnesses or tamper with evidence.

5 Your Honor, from the Government's perspective, this is
6 a paradigm risk of flight case under the Bail Reform Act.
7 First, the defendant has significant foreign ties. Second, the
8 defendant has the means to flee. Third, the weight of the
9 evidence against him is overwhelming. And forth, given the
10 significant penalties he faces, he has tremendous incentive to
11 flee. And I can elaborate on each of these.

12 For instance, with respect to his foreign ties, the
13 defendant has essentially resided abroad for the last two
14 years, only coming back to the United States for short stints
15 for serious proceedings such as, in this instance, in which he
16 came back for a civil court case and a memorial service.

17 Even in this instance in which he came back, the
18 defendant had a return flight less than ten days after he
19 arrived in the United States. For purposes of understanding
20 where the defendant is based, it has for all practical purposes
21 been abroad for the last two years essentially since the
22 conduct at issue in this case has come to light.

23 More worrying, perhaps, is that the defendant most
24 recently spent five months abroad after learning about the
25 Government's continued investigation, including through a



1 subpoena to one of the defendant's co-conspirators.

2 THE COURT: Well, why doesn't that invalidate your
3 position, that he was aware of the investigation and returned
4 to the U.S. voluntarily?

5 MR. GALEOTTI: Well, there's two things, Your Honor.
6 The first what I would say is the point about him essentially
7 residing abroad for the last two years is to distinguish Mr.
8 Karony from his codefendants, for example, Thomas Smith, who
9 had ties to the United States and was caring for sick
10 individuals at his home.

11 Mr. Karony essentially, for practical purposes, should
12 be treated as a foreign national given where his base is. In
13 other words, more of his ties are abroad. He has incentive to
14 be abroad. I think what we would say is the incentive
15 structure has changed in this case.

16 So let me give you an example. Prior to being charged
17 in this case, Mr. Karony told a number of individuals
18 associated with the case that the FBI investigation was dead.
19 He thought that it was not continuing anymore, and he thought
20 there was nothing to worry about. Nevertheless, given his
21 understanding that things were going on, he essentially moved
22 his operations abroad. All of that has now changed, and he now
23 has every incentive to flee and, in fact, to continue residing
24 abroad where he has been.

25 So I think the point about him being abroad for the



1 last two years is to say that he's more akin to someone who is
2 charged and brought here from overseas than the other way
3 around.

4 We don't know what would have happened had Mr. Karony
5 understood that the FBI investigation was ongoing at this point
6 or if he understood he was at risk of being charged when he
7 flew back to the United States.

8 Second, it's clear the defendant has the means to
9 flee. He is a wealthy individual. Unfortunately, most of his
10 proceeds are crime proceeds that were perpetrated in connection
11 with SafeMoon and essentially his ability to take money from
12 what we call the liquidity pool, the piggy bank for the vault
13 of the SafeMoon crypto currency, and essentially embezzle that
14 money so that he could use it and diverted it for his own
15 purposes, including for travel, including for luxury expenses.
16 But the defendant certainly has the ability to flee. He has
17 the ties abroad. He has places to live abroad, and he has done
18 so in the past.

19 THE COURT: So the indictment --

20 MR. GALEOTTI: Third, I think we've elaborated on
21 this, but the weight of the evidence against Mr. Karony --

22 THE COURT: Let me jump in here.

23 MR. GALEOTTI: Sorry.

24 THE COURT: If I can, sorry. And if everybody who's
25 not participating could please mute their phones, I think that



1 might help as we go forward.

2 The indictment talks about withdrawals from the LP
3 account and otherwise, but I don't think nets to a particular
4 dollar figure that you all see being removed. How much money,
5 and I understand -- let me just preface this all by saying I
6 understand the investigation is continuing. I understand the
7 Government expects to learn more facts, and these numbers are,
8 of course, subject to change. But how much money do you see
9 this defendant having withdrawn for himself improperly, in
10 other words, tokens or other value that did not belong to him,
11 in your view? How much do you see him having improperly
12 diverted to himself?

13 MR. GALEOTTI: Understood, Your Honor. I'll try to
14 answer it as directly as possible. We see over \$300 million in
15 money that is investor money that was diverted elsewhere. With
16 respect to the best we can do to trace money that went in
17 particular to this defendant, it appears to be in the tens of
18 millions of dollars.

19 Now, this is all done through a series of concealed
20 transactions through various cryptocurrency wallets associated
21 with Mr. Karony. It would be impractical to say at this point
22 that that tracing is complete or even that the Government is
23 aware of all of Mr. Karony's various wallets. But just given
24 the ones we know, it appears that the three defendants charged
25 in this case, and primarily Mr. Karony, diverted tens of



1 millions of dollars, and we can actually trace his spending
2 through much of that on various items.

3 So unfortunately, Your Honor, at this point, I can't
4 give you a precise number, but we are talking about a number in
5 the tens of millions.

6 THE COURT: Okay. And to the extent you have tied
7 various crypto wallets to the defendant, what is the state of
8 the Government's ability to, and I mean Government writ large,
9 not just the Department of Justice, but also the civil
10 authorities, what's the state of the Government's ability to
11 put asset freezes in place as to the wallets you're aware of?

12 MR. GALEOTTI: I'm a little hesitant to talk about
13 that publicly, Your Honor, given that we do not want our
14 efforts to be thwarted on that front. We've taken various
15 steps is what I can say. But nevertheless, given the way money
16 was diverted, given that there is still money in the liquidity
17 pool, there's a concern certainly, Your Honor, despite steps
18 that have been taken by the Government about dissipation of
19 victim assets, and in particular the ability to recover funds
20 for restitution for those victims.

21 So the Government certainly is concerned about those
22 issues and has taken steps in conjunction with other law
23 enforcement authorities. But by no means can we say that
24 safeguards are in place to ensure that the defendant can no
25 longer dissipate assets and in particular victim funds.



1 THE COURT: Well, I'm not sure that's -- I understand
2 that you may feel that you're at risk of divulging
3 investigative tools that you'd rather remain secret, but you
4 can't have it both ways.

5 Like in paragraph 1 of your letter, dated November 8,
6 you put front and center really two things, well, three things.
7 One, the amount of money the defendant is alleged to have
8 stolen; two, his significant foreign ties; and three, and this
9 is the culmination of paragraph one, his ability to access
10 digital assets and dissipate victim funds from anywhere in the
11 world.

12 And you know, that, I'm trying to tease out the
13 question of how that matters here and how it doesn't, because
14 on the one hand, you know, if we had a defendant who had robbed
15 a bank, and we thought buried the cash proceeds in a forest
16 somewhere and was highly likely, if released, to go get those
17 funds before law enforcement could figure out where they are
18 and move them, that might, and we've got some legal questions
19 here too, but that might be the kind of obstructive act,
20 concealment of evidence or otherwise that satisfies the
21 dangerousness prong of this analysis. And I think that's what
22 you're arguing here.

23 But I'm not sure that's a good analogy for this case.
24 This could be closer to the average stock fraud case where if
25 you said, you know, Judge, we need to lock the defendant up



1 pending trial because otherwise he's going to move assets out
2 of banks and broker dealer accounts, I think the proper
3 response from the Court in that circumstance would be, go get
4 an asset freeze and put it in place as to those assets, as
5 opposed to telling the judge that we all have no choice but to
6 lock this person up because we're worried that assets will
7 dissipate.

8 And so I think I do need to know more from you about
9 the state of your ability and the limits on your ability to
10 freeze the assets that you think you're looking for. How, you
11 know -- have you located what you think is ten percent of the
12 assets that you're looking for, or ninety percent? That might
13 be a very different picture here in one case or another.

14 I understand you may be hesitant to answer that
15 question. But if you're asking for the defendant to be locked
16 up pending trial in significant part because of that risk of
17 dissipation of assets, you might need to say something more.

18 MR. GALEOTTI: I understand, Your Honor. Let me
19 proceed here by way of example. There are a number of wallets
20 associated with this defendant that have engaged in the recent
21 months in massive transactions, moving money abroad, and to
22 exchanges abroad.

23 In particular, I can cite a country in Europe that has
24 restrictive banking laws which Mr. Karony has moved his assets
25 through a series of cryptocurrency transactions to an exchange



1 in such country where we lose visibility into those assets and
2 where the ability to freeze or seize such assets is limited.
3 So that is just one example.

4 This is not a case like a standard stock case or IPO
5 case where we can go ahead and reach out to the U.S. banks and
6 ask them to freeze these assets, and they'll be able to be
7 available for the Government to seize at a later date and
8 provide to victims of the case. We simply can't do that. Most
9 of the money is going to be hard to recover. It's not
10 necessarily in the United States. It's been concealed through
11 a series of transactions, and it's on exchanges that the
12 Government may or may not ever be able to reach.

13 So I understand Your Honor's question, and I want to
14 provide as much as I can. I think this is the kind of case
15 where whatever steps we take, they will be imperfect as a way
16 to recover this money. But here, we actually have seen, again,
17 recent months, significant volume transactions moving money
18 abroad to exchanges that the Government may not ever be able to
19 access.

20 THE COURT: Well, that horse may be out of the barn.
21 I think the question is as to the wallets you still can see and
22 as to which you're worried that if the defendant was released,
23 he could get to them, can you -- you know, is the defendant
24 essentially on the honor system if he is released from prison
25 that he won't move any money through or out of those wallets or



1 to the extent -- I mean, I think some of this money is in U.S.
2 crypto exchanges. Is that fair or not fair? Where are they is
3 the question.

4 MR. GALEOTTI: That is not correct, Your Honor. And
5 in fact, in this case, we cannot freeze most wallets associated
6 with this defendant.

7 THE COURT: Why?

8 MR. GALEOTTI: He has access to them, and we do not,
9 and they are not frozen.

10 THE COURT: Why can't you freeze assets in crypto
11 wallets -- at all or sometimes?

12 MR. GALEOTTI: Well, for one, most of these are on
13 exchanges and wallets that are operated abroad. Second, the
14 defendant may have wallets that are not on an exchange so only
15 he would have access to it and not the Government and not a
16 third-party that the Government could push to freeze or to
17 hold, you know, separately.

18 So the two primary reasons are that much of this is
19 abroad, controlled abroad. These wallets are controlled
20 abroad. And the second is he may have assets that are just not
21 online so to speak that they can be frozen by a third party
22 over which the U.S. has control.

23 THE COURT: Okay. Let me pause on the series of
24 factual questions I'm asking here. In case it's not obvious
25 already, I am far from any sort of expert in the custody and



1 trading of crypto-related assets. From a legal perspective,
2 what is the best case for you, ideally a Second Circuit case or
3 Supreme Court, for the proposition that the existence of
4 criminal fraud proceeds or other criminal proceeds that the
5 Government believes are in the defendant's possession that they
6 can't necessarily track down or freeze is a basis for a
7 detention?

8 MR. GALEOTTI: Yes, Your Honor. Let me, just since I
9 do have a number here available, let me just put one last fine
10 point on Your Honor's prior question before answering this one.
11 One other example is that there's \$1.2 million in a private
12 unhosted wallet, meaning not able to be frozen by a third-party
13 that the defendant currently controls.

14 So to answer Your Honor's question, I need to back up
15 a minute. I think, Your Honor, we are moving under 3142(f)(2)
16 given that the defendant is a flight risk. I think what
17 we've -- and you're right. We need to -- let me back up what
18 we're saying with respect to the dissipation of assets, which I
19 do think is another factor that colors the Court's
20 consideration here. But we are moving independent of his
21 ability to dissipate the victim funds, and that is just another
22 issue that's at play. I think one reason we highlighted it is
23 because it does go to the means and ability to flee, which is a
24 factor under 3142(f)(2).

25 So I don't think what we're saying is there's some



1 number or there some court case that says some number of victim
2 funds is too much and therefore the defendant should be
3 detained. What we're saying is the defendant is a flight risk.
4 He has access to these funds and he has the ability to flee
5 given these funds. In addition, it's worth noting that he also
6 has the ability to dissipate victim assets. But I think we're
7 making a slightly separate argument.

8 THE COURT: Okay. So then, just turning to the risk
9 of flight, I don't have the bond that was entered in Utah if
10 one was. Why wouldn't it be the case -- we're starting
11 essentially de novo here anyway, right? Why wouldn't it be the
12 case that home detention with electronic monitoring, maybe
13 strict conditions about Internet use, and the surrender of
14 passports and maybe some meaningful security from one or more
15 viable and independent sureties, why wouldn't that be
16 sufficient to assure his continued appearance?

17 MR. GALEOTTI: Yes, Your Honor. So let me first note
18 that the Government did take that position with respect to
19 codefendant, Thomas Smith. Here, the difference is Mr. Karony
20 is not similarly situated given his ties abroad. Mr. Karony's
21 fiancée is abroad. Mr. Karony had plans to reside abroad. Mr.
22 Karony has no reason to be in the United States. As we've
23 outlined, he does not have ties to the United States. So we
24 don't even believe --

25 THE COURT: His fiancée's a U.S. or UK citizen?



1 MR. GALEOTTI: UK, is the Government's understanding.
2 I'm sure that defense will correct us if we're wrong.

3 The Government (sic) no longer has communication with
4 his family that is in the United States and hasn't for some
5 time. Here, the defendant, Mr. Smith, had a house in New
6 Hampshire that he resided in with his family. Mr. Karony, on
7 the contrary, has a house in Utah which he was selling. His
8 ties just aren't here. He doesn't have a reason to be here.

9 We would argue, Your Honor, that he is more akin to
10 his codefendant, Kyle Nagy, who, in fact, has already fled the
11 United States. So flight is a serious risk in this case. In
12 fact, it has already taken place. And Mr. Karony doesn't have
13 the ties to the U.S. to keep him here, nor does he have
14 suretors in the U.S. that have the moral suasion over him to
15 keep him here.

16 THE COURT: What do you know -- you mentioned his, I
17 think you said, strained relationship with his family in the
18 U.S. What is known about the substance of this lawsuit in Utah
19 against his mother, I think?

20 MR. GALEOTTI: In what respect, Your Honor? Are you
21 asking me for the substance of that civil suit?

22 THE COURT: Yeah, what was it about?

23 MR. GALEOTTI: Your Honor, not -- I don't pretend to
24 be an expert on that issue. But certainly, what we understand
25 is that it's over various intellectual property and other



1 business issues related to entities other than SafeMoon.

2 THE COURT: Can you say what kind of IP?

3 MR. GALEOTTI: Your Honor, I'm going to defer to Mr.
4 Rolle, co-counsel for the government on this question.

5 MR. DREW ROLLE: Good afternoon. This is Drew Rolle
6 for the record. Your Honor, I think our understanding of it is
7 limited. But in part, just from our discussions with counsel
8 for the receiver, the company, Emanation Communications Group,
9 was involved in the construction and deployment of technology,
10 like windmill and communications technology on the continent of
11 Africa, I think, including specifically in The Gambia. So I
12 think there's intellectual property interest in certain patents
13 either that they've applied for or technology that they have
14 got patents on and materials that they put together. So I
15 think that's part of the assets.

16 It's unclear what hard assets or other assets remain
17 at the entity. But our understanding from the receiver is that
18 there is technically, and it's kind of a Utah equivalent of, a
19 liquidation, and they will all be auctioned off. And the
20 defendant was in the process of attempting to acquire those
21 assets through the receivership process, which he personally
22 funded with the 800-plus thousand dollars that he transferred
23 to the receiver. But I think that's as much background as we
24 understand it. I think there is a complicated procedural
25 history in the case, but they are nearing a point where they



1 are trying to liquidate those assets and --

2 THE COURT: But can you say anything about just the
3 basic nature of the business relationship between the defendant
4 and his mother with the recent litigation because I think --

5 MR. ROLLE: Yes, Your Honor.

6 THE COURT: -- correct me if I'm wrong, let me just
7 tee up one more sentence here. Correct me if I'm wrong, but I
8 thought in reading the transcript of the proceedings before the
9 magistrate judge in Utah that defense counsel out there had
10 indicated that both of the defendant's parents were employees
11 of the CIA.

12 MR. ROLLE: Yes, Your Honor. We understand that at
13 least one of the parents, I think the father, worked for the
14 CIA at some point. This is -- but has since left the agency,
15 and this is a private business that they started and a venture
16 that they operated in a personal capacity after that point.

17 And that entity was in operation in 2021, and it was
18 in that time frame that the defendant, after the creation of
19 SafeMoon, made the five million -- bought a stake in the
20 company for 5 million dollars. And then, from that point on,
21 there was an understanding that there was a falling out in the
22 family between them in relation to that business, the
23 defendant's involvement in the business including, we
24 understand, statements that he made regarding the company's
25 technology and whether that company -- whether the company's



1 technology could be used to benefit SafeMoon in some way is the
2 broad strokes of what we understand about sort of the fallout
3 that happened.

4 And it culminated in a lawsuit that the defendant
5 filed against his parents and the company related to their
6 alleged mismanagement of the Emanation Communications Group and
7 that the company was being mismanaged, and he sued them as part
8 of that process.

9 That ultimately, I think, is what has led to the
10 receivership. So that's the nature of the case that he brought
11 against his parents. I think the proceedings in Utah
12 accurately reflect that he has an estranged relationship with
13 the family owing at least in part to the lawsuit that he filed
14 against them.

15 THE COURT: Okay. All right. Can I hear from Mr.
16 Schuman on behalf of the defendant, please?

17 MR. SCHUMAN: Thank you, Judge. Good afternoon.

18 THE COURT: Good afternoon.

19 MR. SCHUMAN: Starting with risk of flight, we submit
20 that the Government has not met its burden.

21 THE COURT: Can you start with --

22 MR. SCHUMAN: Beginning with proposed --

23 THE COURT: -- sorry to cut you off. But what is it
24 you're proposing in terms of sureties, security, and release
25 conditions?



1 MR. SCHUMAN: Judge, the order in Utah is basically
2 consistent with what you were reciting earlier as your sort of
3 de novo potential inclination, which is home detention.

4 Mr. Karony does rent an apartment in Miami. He would
5 have home detention in Miami, which is what the Utah bail order
6 provides. His fiancée is a UK citizen, but she would come and
7 be in Miami with him. Obviously, travel to Brooklyn is
8 required for this matter. He --

9 THE COURT: How long would she be admitted for, do you
10 believe?

11 MR. SCHUMAN: I don't know. But we would make
12 whatever arrangements are feasible.

13 THE COURT: And Miami, I gather from reading the
14 transcript from Utah, that the Miami residence is a rental. Is
15 that prepaid?

16 MR. SCHUMAN: It --

17 THE COURT: How would you -- prepaid for how long?

18 MR. SCHUMAN: I don't know and it could be and if it
19 sways the Court in some way, if you prefer, we could
20 investigate having him rent an apartment in the New York
21 metropolitan area so he's closer to counsel and closer to the
22 court.

23 THE COURT: Well, to me, the question about the rental
24 is how will he pay the rent other than through the use of ill-
25 gotten gains?



1 MR. CLAYTON SIMMS: This is Clayton --

2 UNIDENTIFIED SPEAKER: Judge --

3 MR. SIMMS: -- in Utah. David Nagellan (ph.), the
4 attorney for SafeMoon, he said the apartment's prepaid.

5 THE COURT: All right. Who's talking there? We need
6 to go one lawyer at a time, and I was posing that question to
7 Mr. Schuman.

8 MR. SCHUMAN: Right. Judge --

9 THE COURT: If you want to turn it over to someone
10 else.

11 MR. SCHUMAN: This is Adam Schuman. I don't know but
12 let me just also point out as you may appreciate to some
13 extent, Mr. Karony's been detained for now almost two weeks in
14 Utah. It's been virtually impossible for me to have direct
15 contact with him during this time. He has had Mr. Simms in
16 Utah, who is physically with him now, whom Mr. Simms was going
17 to comment on your last question, assisting Mr. Karony with the
18 proceedings there. We're trying to coordinate here.

19 And the fact that, not to harp on it, but the fact
20 that there have been repeated stays and continuances since the
21 detention has meant that for two weeks it's prejudiced Mr.
22 Karony's ability to have counsel to coordinate on the types of
23 questions you're raising.

24 But to the extent we're able to meet, and we were able
25 to meet, or thought we were able to meet, the magistrate



1 judge's order, he was going to comply with that. To the extent
2 you set reasonable conditions so that he'll appear, we'll take
3 efforts to meet that. And if it's all right with the judge, it
4 may be that Mr. Simms has additional factual information to
5 answer your question.

6 THE COURT: Yeah. I'm happy to hear from Mr. Simms,
7 and I also am interested in the question of -- I now have a
8 copy of the bond in front of me, and I may not be reading it
9 precisely because it doesn't look exactly like the bonds we
10 have here in the Eastern District of New York. But I don't
11 see any solvent sureties identified or any property posted as
12 security. And what I was posing what I thought were kind of my
13 stalking horse proposal for what might or might not, but what I
14 wanted to debate to assure the continued appearance of the
15 defendant, I had meant to include that if I did not, although I
16 think I did. So Mr. Simms?

17 MR. SIMMS: Judge, the Utah order was to execute the
18 bond within fourteen days of release. The difficulty in the
19 defendant making phone calls out, they have been extreme. And
20 unfortunately, despite the fact that he had funds on his
21 account in Utah, he was unable to make jail calls because, and
22 I won't bore the Court with the technical difficulties with
23 making phone calls out of the Salt Lake County Metro jail, but
24 he was unable to make phone calls. And so the Court said that
25 he could execute that bond within fourteen days.



1 THE COURT: Okay.

2 MR. GALEOTTI: Your Honor, Matthew --

3 THE COURT: Let me, yeah, Mr. Galeotti.

4 MR. GALEOTTI: If I can just correct, Your Honor. So
5 essentially, the bond that's been entered in Utah, irrespective
6 of when it would be signed, is a personal recognizance bond.
7 Your Honor has read it correctly. There's no suretors.
8 There's no amount of money. There's nothing in there that has
9 suasion over him. So you're reading the bond --

10 THE COURT: Just let me put this out there now, and
11 I'll give Mr. Schuman and his co-counsel in Utah the final word
12 here, it is not obvious to me, as I sit here right now, that
13 there is no condition or combination of conditions that would
14 assure Mr. Karony's continued appearance in this case. But
15 those conditions have not materialized yet; it seems fairly
16 clear to me.

17 The proposal, as I understand that, would have Mr.
18 Karony living in a rental apartment in Florida. There's a
19 proffer from defense counsel that some rent on that apartment
20 is prepaid, but we don't know how much, or at least I don't
21 know how much, having not heard it yet here today. Mr.
22 Karony's fiancée is a UK citizen. She, it is proffered, would
23 come here, but we don't know at this point for how long she
24 would be able to remain in the country with the defendant.

25 And this is, it seems utterly clear, a person with



1 access to substantial amounts of money based on the
2 Government's proffer. We're talking about money that it would
3 be potentially easy for the defendant to access, but hard for
4 the Government to trace or track. And we don't have any of the
5 moral suasion that would be associated with meaningful security
6 posted by solvent sureties who have the kind of relationship
7 with the defendant that would bring the moral suasion that I
8 think we all would want to see.

9 And so where I am now is, I'm happy to consider a
10 stronger package if and when one materializes. But at this
11 point, on the table in front of me, there are no proposed
12 conditions or combination of conditions that, in my view, would
13 assure the defendant's continue appearance in this case.

14 MR. SIMMS: Judge, if I might say, a unique feature of
15 Utah, we -- this is Clayton Simms on the line. The Court
16 didn't know how to fill out a bond. That's not something that
17 happens in Utah. And so some of that absence of documentation
18 on that bond is just a matter of --

19 THE COURT: But the concept of -- let me just jump in
20 there. The Bail Reform Act refers in its text to solvent
21 sureties and the potential for security. And there is a --
22 this may not be a Utah form of bond, although it says District
23 of Utah at the top of it. But it also has a place for property
24 that is going to be posted, and it is to be described above,
25 and all that is empty.



1 MR. SCHUMAN: Judge --

2 THE COURT: It probably just was an oversight
3 presumably.

4 MR. SCHUMAN: Judge, if I may, it's Adam Schuman.

5 THE COURT: Yes.

6 MR. SCHUMAN: Just a few points. One, again, hurdles
7 exist here, which compared to Mr. Smith, for example, who
8 apparently was allowed to surrender, at least to appear from
9 New Hampshire to Brooklyn without being incarcerated, our
10 client was allowed prior to being arrested to come into the
11 United States through Miami, to fly to Utah where it appears he
12 decided to fly to Utah, as the Government points out, and they
13 arrested him there. They knew apparently why he was flying
14 there. And it's made it difficult. He does, as the Government
15 has pointed out, have a house. We can post the house. Mr.
16 Smith was allowed out --

17 THE COURT: -- the Government alleges that I think --
18 when was the house purchased?

19 MR. SCHUMAN: It's Mr. Schuman. I don't know. The
20 Government may know.

21 THE COURT: I mean, my question is about whether the
22 Government would take the position that the house, whatever
23 equity in the house exists, represents the proceeds of the
24 scheme at issue here.

25 MR. SCHUMAN: In terms of timing, I'd also point out,



1 Your Honor, that the indictment, according to its allegations,
2 the charges ended in June 2022, which is well more than a year
3 ago. My client has been allowed to travel in and out of the
4 United States. Whatever's happened with whatever alleged
5 assets has continued since that time, and he's now being
6 significantly prejudiced.

7 And we can -- obviously, we'll comply with whatever
8 your order and conditions are, but it's much more practical, I
9 submit, to allow Mr. Karony to travel back to the East Coast on
10 a package which has been supplemented in some prompt time frame
11 similar to what it seems the magistrate judge contemplated in
12 Utah with additional sureties rather than have him incarcerated
13 during that period, which will make it difficult. And it's
14 already prejudiced his defense and ability to consult with
15 counsel.

16 MR. GALEOTTI: Your Honor, if I may, for the
17 Government, just three points to correct that I do think are
18 relevant.

19 First, the Defendant was arrested within hours of the
20 indictment being returned given the concern regarding the
21 defendant's ability to flee. So I'm not sure where the rest of
22 those points are coming from. But the same day that the grand
23 jury returned the indictment, this defendant was arrested.

24 Number two, if you look at the forfeiture allegations
25 on page 26 of the indictment, the home in Utah, as Your Honor



1 suggested, is in fact, in paragraph 67B, the defendant's
2 property in Utah is subject to forfeiture.

3 And third, Your Honor, we would say the appropriate
4 course of action is for that defendant to be -- a permanent
5 order of detention should be entered. The defendant should be
6 removed in custody without leave to renew his bail package at
7 such time as potentially one is presented that's appropriate.
8 That time is not now. That time has not come. And so the
9 defendant should be removed in custody to face proceedings in
10 New York.

11 THE COURT: When you say --

12 MR. SCHUMAN: Your Honor, Adam Schuman. Sorry.

13 THE COURT: Mr. Galeotti, did you say without leave to
14 propose a renewed bail package when he arrives here or with
15 one?

16 MR. GALEOTTI: I'm sorry, without prejudice, Your
17 Honor, to propose a new package when he arrives.

18 THE COURT: Yeah. That's where I think we all are. I
19 take Mr. Schuman's point as well made that there's a little bit
20 of a chicken and egg problem in the fact that the defendant is
21 currently detained in a place where his communications are
22 somewhat limited and that that can inhibit his ability to
23 communicate with counsel and to put together a satisfactory
24 bail package. But for better or for worse, that is the way
25 these things often unavoidably work.



1 And so I am ordering now -- well, first of all, I
2 should have asked at the outset of this proceeding, Mr. Karony,
3 can you hear what I'm saying clearly?

4 THE DEFENDANT: Yes, Your Honor, I can hear you.

5 THE COURT: Okay. And I know you're lawyer
6 represented, but you're there with him. But yeah, if there's
7 anything you haven't heard or understood clearly, let him know
8 that, and I will go over it for you again.

9 But with that having been said, it seems very clear to
10 me that, yeah, the limited conditions that have been offered to
11 date and that were the subject of the magistrate judge's order
12 in Utah are insufficient to assure the defendant's continued
13 appearance in this case.

14 Having said that, I do want to make clear that there
15 could be a package of conditions that would lead me to a
16 different conclusion if we were talking about solvent and
17 viable sureties who had a relationship of potential moral
18 suasion with the defendant and who were willing to post
19 property to assure his continued appearance and his continued
20 compliance with all of the conditions of his release. But we
21 simply are not there yet.

22 And so I order Mr. Karony to be detained pending his
23 removal or extradition, whatever we would call it, to the
24 Eastern District of New York. I will be happy to revisit this
25 conclusion in the context of a more robust proposed bail



1 package if and when that day comes.

2 Thank you all. And with that, we will be adjourned.
3 The Court's deputy will reach out about scheduling a status
4 conference for a point shortly after the defendant's arrival
5 here, and we will look to see you all in person relatively
6 soon. Thank you all, and with that, we will be adjourned.

7 MR. GALEOTTI: Thank you, Your Honor.

8 MR. SCHUMAN: Thank you.

9 (Proceedings concluded at 1:40 o'clock, p.m.)

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C E R T I F I C A T I O N

I, Janice M. Grill, court-approved transcriber, do
hereby certify the foregoing is a true and correct transcript
from the official electronic sound recording of the proceedings
in the above-entitled matter.



November 13, 2023

Janice M. Grill

DATE

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